



Building a World City: Opportunities and Challenges

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World City?

- Inspiring and imaginative, and exciting;
- Free, open and welcoming to all cultures;
- Up-to-date with global values and ideas;
- Safe and trustworthy;
- Business-friendly and attracting talents;
- Convenient.



NYC, London, HK Jan 18, 2008



Nylonkong

- Providing a financial network for the global economy
- Covering three time zones
- HK, a haven for migrants fleeing trouble in China for the past 150 years
- Not only an IFC, but agglomerations of cultures and talents
- Staying relevant? Passing its prime or reaching new heights?

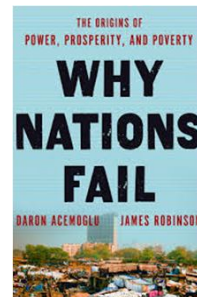


GDP

	HK	London	NYC	Singapore
GDP (HKD bn)	1,744	3,385	4,966	1,737
GDP per capita (HKD)	246,000	433,000	607,000	342,000
GDP per capita growth (2000 – 2010)	25%	53%	38%	87%
GDP PPP per capita (HKD)	357,000	418,000	607,000	449,000



Institutions



NIALL FERGUSON
Civilization
The WEST and the REST





HK Core Values – Its Institutions

- Rule of law that is time tested – protection of private property rights
- Open to the world – international environment
- Free flow of information
- Freedom in capital flows
- Professionalism
- Dynamic and entrepreneurial spirit of its




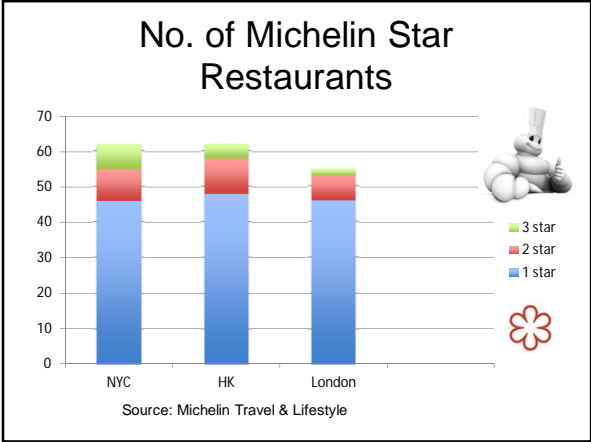

HK's Key Advantages

- Geographical location – 4 hours from most major cities in Asia
- Global recognition of expertise in finance and trade
- RMB off-shore center
- Capitalize on rise of Asia / China
- Asian and global headquarters
 - Asian HQs: Wal-Mart Inc and BASF,
 - GE set up its Global Growth and Operations HQ, Philips Global Consumer Products HQ and Infiniti Global HQ
- IFC plus



QS World University Ranking 2012

	Ranking
University College London	4
Imperial College London	6
Columbia University	11
University of Hong Kong	23
National University of Singapore	25
King's College London	26
Hong Kong University of Science of Technology	33
Chinese University of Hong Kong	40
New York University	43
Nanyang Technological University	47

Threats

- Fear of being marginalized
- Losing the sense of direction
- Short-termism
- Work force losing competitiveness
- Keen competition from Singapore and mainland cities
- Air quality
- Real estate costs
- Education for expats' children



Can HK maintain its IFC position for Mainland China?

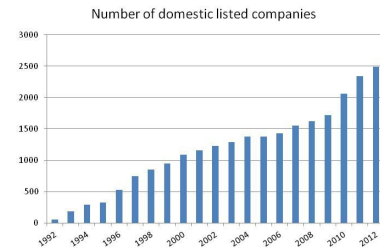


Market Capitalization and Rankings of 6 Exchanges in the 5 Cities



Domestic stock market

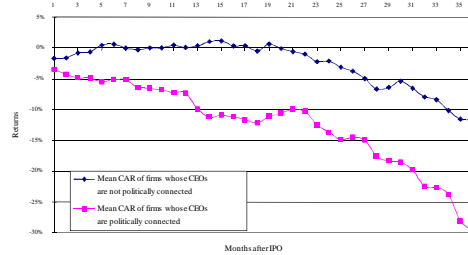
The number of listed companies is growing fast

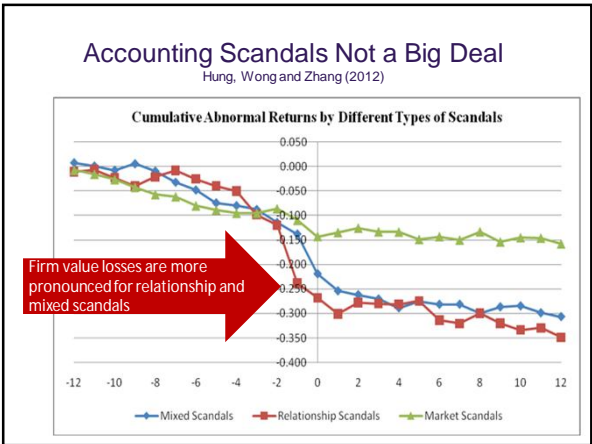
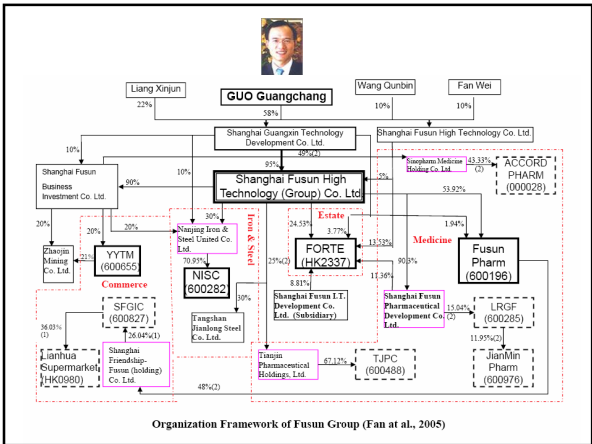


Disappointing Stock Market Performance



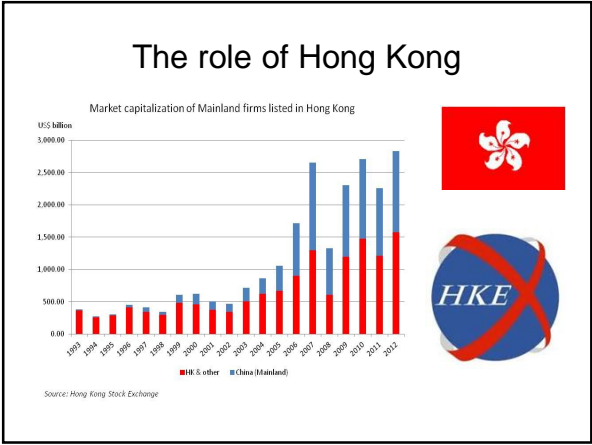
Post-IPO stock return performance (CAR) distinguished by whether CEOs are politically connected (Fan, Wong, Zhang, forthcoming)





Overseas listed companies

- 215 listed in the U.S. by 2010, 285 listed in Hong Kong by 2012.
- Corporate misconducts including accounting manipulation, insider trading, and expropriation of corporate assets.
- From 2011, over 40 Chinese companies delisted from U.S.
- Market value of all US-listed Chinese companies decreased by over \$100 billion.



Hong Kong Singapore Shanghai

- Shanghai is the domestic finance and commercial center but not an international center
- Key reason is institutions take years to build
- Not a replacement by a mainland city, but HK's advantages can be chipped away
- Singapore is a key competitor, though it is further away from China
- HK and Singapore are neck to neck in various global rankings

United Nations Conference on Trade and Development Foreign Direct Investment World Ranking

- HK ranks 3rd in the world in FDI inflow in 2012, after US and China
- HK ranks 4th in the world in FDI outflow in 2012, after US, China, and Japan

World Economic Forum – Financial Development Report

	2011	2012
HK	1	1
US	2	2
UK	3	3
Singapore	4	4



2013 Index of Economic Freedom

	Country ranking
HK	1
Singapore	2
Australia	3
New Zealand	4
Switzerland	5



EIU – World’s most competitive cities by 2025

	Ranking
New York	1
London	2
Singapore	3
Hong Kong	4
Tokyo	5
Sydney	6
Paris	7
Stockholm	8
Chicago	9
Toronto	10



Way Forward



- Focus on core strengths by preserving and further developing HK’s core values
 - Rule of law, free flow of info, professionalism
- Universal suffrage and development of party politics
- Immigration policies to attract world talents
- Not only focus on China but Asean countries and the world
- Further investment in hardware and software
 - medical services and tertiary education
- Life-style: arts and culture (WKCD), fix air quality, and more international schools